

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Lenox Township	County MaComb
Audit Date 6/30/04	Opinion Date 9/23/04	Date Accountant Report Submitted to State: 12/27/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Stewart, Beauvais & Whipple			
Street Address 1979 Holland Ave.		City Port Huron	State MI
Zip 48060		Date 12/27/04	
Accountant Signature <i>Stewart, Beauvais & Whipple</i>			

LENOX TOWNSHIP, MICHIGAN

ANNUAL FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2004**

**Stewart,
Beauvais
& Whipple P.C.**

CERTIFIED PUBLIC ACCOUNTANTS



LENOX TOWNSHIP, MICHIGAN

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INDEPENDENT AUDITOR'S REPORT

To the Supervisor and
Members of the Township Board
Lenox Township, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the remaining fund information of the Lenox Township, Michigan, as of and for the year ended June 30, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Lenox Township's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the discretely presented component unit's financial statements of the Lenox Township Library. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion on the basic financial statements insofar as it relates to the Lenox Township Library, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Lenox Township, Michigan, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 12 to the basic financial statements, the Township and its component unit adopted Governmental Accounting Statement Board Statement No. 34 and related statements as of and for the year ended June 30, 2004. This resulted in a change in the Township's basic financial statement format and content.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 23, 2004 on our consideration of the Lenox Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 7, and schedules of budgetary comparisons on pages 33 through 35 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lenox Township's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedure applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Stewart, Beavers & Whipple

Certified Public Accountants

September 23, 2004

OVERVIEW OF THE FINANCIAL STATEMENTS

Lenox Township's 2004 annual report is presented in conformity with the requirements of GASB 34. This annual report consists of four parts – management's discussion and analysis, the basic financial statements, required supplementary information, and other supplemental information, which presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the Township. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Township's government, reporting the Township's operations in more detail than the government-wide statements.

Government-wide Financial Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid (full accrual).

The two government-wide statements report the Township's net assets and how they have changed. Net assets, defined as the difference between the Township's assets and liabilities, are one way to measure the Township's financial health or position.

The government-wide financial statements of the Township are divided into two categories:

Governmental activities – most of the Township's basic services are included here, such as the police, fire, public works, and general administration. Property taxes, state-shared revenue, charges for services, provide most of the funding.

Business-type activities – the Township charges fees to customers to help it cover the costs of certain services it provides. The Township's water and sewer system is treated as business-type activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant funds; not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and/or by bond covenants. The Township Board establishes other funds to control and manage money for particular purposes.

The Township has three kinds of funds:

Governmental funds - Most of the Township's basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow in and out, and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.

Proprietary funds - Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information.

Fiduciary Funds - The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of assets and liabilities. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

FINANCIAL OVERVIEW (Government-wide financial analysis)

The Township has combined total net assets of 13.2 million. This is an increase over 2003 of \$1.8 million. Government-type activities comprise \$9.0 million, and business-type activities make up \$4.1 million of the total net assets. In a condensed format, the table below shows net assets as of the June 30, 2004. Future reports will provide comparative data.

In Thousands

	Governmental Activities	Business-type Activities	Total
Assets			
Current assets	\$ 5,382	\$ 268	\$ 5,650
Restricted assets	-	712	712
Noncurrent assets	3,992	4,532	8,524
Total assets	9,374	5,512	14,811
Liabilities			
Current liabilities	281	83	364
Long-term liabilities	-	1,355	1,355
Total liabilities	281	1,438	1,719
Net Assets			
Invested in capital assets -			
Net of related debt	3,992	3,177	7,169
Restricted	43	-	43
Unrestricted	5,057	897	5,954
Total net assets	\$ 9,092	\$ 4,074	\$ 13,166

The Township governmental activities experienced a net change in assets of \$1,742,224. The main reason is a result of receiving \$2,519,812 of landfill tipping fees from Pine Tree Acres less the capital items purchase of \$994,827. The business-type activities experienced a net change of assets of only \$47,986.

The following table shows the changes in net assets for 2004. Future reports will provide comparative data for the statement of activities.

In Thousands	Governmental Activities	Business-type Activities	Total
Revenue			
Program revenue:			
Charges for services	\$ 237	\$ 721	\$ 958
Operating grants and contributions	108	-	108
General revenue:			
Property taxes	836	-	836
State-shared revenue	313	-	313
Unrestricted investment earnings	37	6	43
Franchise fees	27	-	27
Landfill tipping fees	2,550	-	2,550
Total Revenue	4,108	727	4,835
Program Expenses			
General government	621	-	621
Public safety	1,388	-	1,388
Public works	261	-	261
Health and welfare	40	-	40
Recreation and cultural	6	-	6
Water and sewer	-	729	729
Total Program Expenses	2,316	729	3,045
Changes in net assets before transfers	1,792	(2)	1,790
Transfers	(50)	50	-
Changes in net assets	\$ 1,742	\$ 48	\$ 1,790

Governmental Activities

Revenues for governmental activities totaled \$4.1 million in 2004. Of this amount \$2.6 million was received for landfill tipping fees and increase of \$745,000 over 2003. The next largest revenue sources was from property tax collection of .8 million which was a 8.2% increase from the prior year and state shared revenue of .3 million which was a decrease of 8.4 percent for the year.

Business-type Activities

The Township has one business-type activity, the water and sewer operations. Total revenues including a transfer from the General Fund of \$50,000 was \$776,918 and expenses were \$728,932 for a change in net assets of \$47,986.

The water and sewer operation consists of the following: water is provided to the Township residents via the Detroit Water and Sewer Department. Sewage treatment is provided by contracts with the Detroit Water and Sewer Department and Macomb County.

FINANCIAL ANALYSIS OF MAJOR TOWNSHIP FUNDS AND BUDGETS

Governmental Fund

The General fund ended 2004 with a fund balance of \$4.4 million, with \$1.7 million designated for specific projects. This is an increase of \$1.1 million from the prior year mainly as a result of receiving landfill fees of \$2.5 million dollars. The original budget had estimated tipping fees of \$1.5 million. General fund tax revenues was \$55,337 over the original budget mainly as a result of receiving additional \$30,872 from the annexation agreement with the City of Richmond.

The General Fund budget was amended throughout the year as deemed necessary, primarily to prevent over expenditure. The following significant amendments were made during the year.

- General service expenditures were decreased from \$336,000 to \$233,500 as a result of delays in developer plan reviews (engineering, legal and planning) as a result of delays in the Gratiot Sewer Project.
- Emergency medical services were increased from \$56,000 to \$728,000 in association with the Township's obligation to the building of EMS Station #3. Actual expenditures were \$519,246.
- Solid waste removal was added to the service provides to Township residents as a result a budget line item was added from \$90,000. Actual cost was \$133,632.

The Township Fire fund received \$148,528 more then was budgeted, primarily as a result of receiving \$59,240 more in taxes and a State grant for \$69,077.

Business-type Activities

As indicated earlier the Township only has one business-type activity, the water and sewer operation. Total revenues including a transfer from the General Fund of \$50,000 was \$776,918 and expenses were \$728,932 for a increase in net assets of \$47,986.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Township had \$9.2 million dollars invested in capital assets for its government and business-type activities (net of accumulated depreciation) as of June 30, 2004. The investment in capital assets includes land, land improvements, buildings, machinery and equipment, vehicles and water and sewer lines. During the year the Township added \$1,185,649 of capital assets, \$994,827 in the government-activities and \$190,822 in the business-type activities.

Of the \$994,827 purchased in the government-type activities \$583,917 was for the purchase of land, \$337,120 was for a new fire truck and \$71,690 for a new fire station. The \$186,423 in the business-type activities was constructed of the North Gratiot/New Haven Sanitary Sewer.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land	\$ 1,241,173	\$ -	\$ 1,241,173
Land improvements	1,457,479	-	1,457,479
Building	1,553,120	190,139	1,743,259
Equipment	418,523	67,888	486,411
Vehicles	846,982	-	846,982
Water and sewer	-	5,755,953	5,755,953
Construction in progress	-	357,712	357,712
	<u>5,517,277</u>	<u>6,371,692</u>	<u>11,888,969</u>
Accumulated depreciation	<u>(1,524,944)</u>	<u>(1,211,663)</u>	<u>(2,736,607)</u>
	<u>\$ 3,992,333</u>	<u>\$ 5,160,029</u>	<u>\$ 9,152,362</u>

Additional information on the Township's capital assets can be found in Note 4.

Long-Term Debt

At June 30, 2004 the Township's business-type activities had debt outstanding of \$1,355,000, a decrease of \$200,000 from the prior year. This debt is related to the construction of the water supply system.

ECONOMIC FACTORS AND NEXT YEARS BUDGET

During fiscal 2004 and into 2005, the Township anticipates a significant reduction in state shared revenues and grants. Increased tipping fees from Pine Tree Acres landfill will offset this.

CONTACTING THE TOWNSHIP

This financial report is designed to provide a general overview of the Township's finances to and our residents and other interested parties in understanding the Township's financial condition. If you have questions about this report or need additional financial information, please contact the Township at (586) 727-2085.

BASIC FINANCIAL STATEMENTS

LENOX TOWNSHIP
Macomb County, Michigan
STATEMENT OF NET ASSETS
JUNE 30, 2004

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	Library
ASSETS:				
Cash and cash equivalents	\$ 4,425,623	\$ 183,556	\$ 4,609,179	\$ 393,896
Receivables	71,589	125,694	197,283	5,249
Due from other governmental units	179,072	-	179,072	-
Internal Balance	42,288	(42,288)	-	-
Prepaid expenditures	35,059	1,413	36,472	4,412
Advance to (from) other funds	628,405	(628,405)	-	-
Restricted Assets -				
Cash and cash equivalents	-	900	900	11,588
Investments	-	683,458	683,458	-
Deferred Receivable	-	27,590	27,590	-
Capital assets (net of accumulated depreciation)				
Assets not being depreciated	1,241,173	357,712	1,598,885	-
Assets being depreciated	2,751,160	4,802,317	7,553,477	184,516
Total Assets	<u>9,374,369</u>	<u>5,511,947</u>	<u>14,886,316</u>	<u>599,661</u>
LIABILITIES:				
Payables and accrued liabilities	226,356	71,668	298,024	3,954
Deferred revenue	55,075	-	55,075	5,249
Liability Payable from restricted assets	-	11,340	11,340	-
Non-current liabilities				
Due within one year	-	215,000	215,000	-
Due in more than one year	-	1,140,000	1,140,000	-
Total Liabilities	<u>281,431</u>	<u>1,438,008</u>	<u>1,719,439</u>	<u>9,203</u>
NET ASSETS:				
Invested in capital assets, net of related liabilities	3,992,333	3,176,624	7,168,957	184,516
Net assets				
Restricted	43,196	684,358	727,554	-
Unreserved	<u>5,057,409</u>	<u>212,957</u>	<u>5,270,366</u>	<u>405,942</u>
Total Net Assets	<u>\$ 9,092,938</u>	<u>\$ 4,073,939</u>	<u>\$ 13,166,877</u>	<u>\$ 590,458</u>

The accompanying notes are an integral part of these financial statements.

LENOX TOWNSHIP
Macomb County, Michigan
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General Government	620,769	50,923	-	-
Public Safety	1,387,479	186,020	70,700	-
Public Works	261,095	-	37,670	-
Health and Welfare	40,406	-	-	-
Recreation and Culture	6,024	-	-	-
Total governmental activities	<u>2,315,773</u>	<u>236,943</u>	<u>108,370</u>	<u>-</u>
Business type activities				
Water Supply and Sewage Disposal System	<u>728,932</u>	<u>720,473</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>3,044,705</u>	<u>957,416</u>	<u>108,370</u>	<u>-</u>
Component Unit				
Township Library	<u>213,969</u>	<u>7,088</u>	<u>-</u>	<u>-</u>
General revenues:				
Property taxes				
Grants and contribution not restricted to specific programs				
- State Shared revenue				
- Franchise fees				
- Pine Tree Acres - excess tipping				
- Other				
Unrestricted investment income				
Gain on sale of capital assets				
Transfers in (out)				
Total general revenues and transfers				
Change in net assets				
Net assets at beginning of year as restated				
Net assets at end of year				

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Change in Net Assets

<u>Primary Government</u>			<u>Component</u>
<u>Governmental</u>	<u>Business Type</u>		<u>Units</u>
<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Library</u>
(569,846)	-	(569,846)	-
(1,130,759)	-	(1,130,759)	-
(223,425)	-	(223,425)	-
(40,406)	-	(40,406)	-
(6,024)	-	(6,024)	-
<u>(1,970,460)</u>	<u>-</u>	<u>(1,970,460)</u>	<u>-</u>
-	(8,459)	(8,459)	-
<u>(1,970,460)</u>	<u>(8,459)</u>	<u>(1,978,919)</u>	<u>-</u>
-	-	-	(206,881)
836,082	-	836,082	275,099
312,457	-	312,457	19,320
26,810	-	26,810	-
2,549,882	-	2,549,882	-
-	-	-	600
37,453	6,445	43,898	1,781
-	-	-	5,399
<u>(50,000)</u>	<u>50,000</u>	<u>-</u>	<u>-</u>
<u>3,712,684</u>	<u>56,445</u>	<u>3,769,129</u>	<u>302,199</u>
1,742,224	47,986	1,790,210	95,318
<u>7,350,714</u>	<u>4,025,953</u>	<u>11,376,667</u>	<u>495,140</u>
<u>\$ 9,092,938</u>	<u>\$ 4,073,939</u>	<u>\$ 13,166,877</u>	<u>\$ 590,458</u>

LENOX TOWNSHIP
Macomb County, Michigan

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General	Fire Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 3,448,182	\$ 521,363	\$ 456,078	\$ 4,425,623
Receivables -				
Interest and accounts	71,480	-	109	71,589
Due from other governmental units -				
Federal/State	166,647	-	-	166,647
Local	12,425	-	-	12,425
Prepaid expenditures	17,683	17,376	-	35,059
Due from other funds	42,286	15,757	8,761	66,806
Advances to other funds	804,355	-	-	804,355
Total Assets	\$ 4,563,060	\$ 554,496	\$ 464,948	\$ 5,582,504
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payables -				
Accounts	\$ 36,003	\$ -	\$ 111,443	\$ 147,446
Accrued wages	32,351	28,606	161	61,118
Deposits	17,792	-	-	17,792
Due to other funds	24,518	-	-	24,518
Advances from other funds	-	175,950	-	175,950
Deferred revenue	55,075	-	-	55,075
Total Liabilities	165,739	204,556	111,604	481,899
Fund Balances:				
Reserved -	822,038	17,376	43,196	882,610
Unreserved -				
Designated	2,550,000	-	-	2,550,000
Undesignated -				
General Fund	1,025,283	-	-	1,025,283
Special Revenue Funds	-	332,564	310,148	642,712
Total Equity	4,397,321	349,940	353,344	5,100,605
Total Liabilities and Fund Equity	\$ 4,563,060	\$ 554,496	\$ 464,948	\$ 5,582,504

The accompanying notes are an integral part of these financial statements.

LENOX TOWNSHIP
Macomb County, Michigan

**RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR
GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
ON THE STATEMENT OF NET ASSETS
JUNE 30, 2004**

Fund Balances - total governmental funds	\$ 5,100,605
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets	5,517,277
Accumulated depreciation	<u>(1,524,944)</u>
Net Assets of governmental activities	<u>\$ 9,092,938</u>

The notes to the financial statements are an integral part of this statement.

LENOX TOWNSHIP
Macomb County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	General	Fire Fund	Other Governmental Fund	Total Governmental Funds
Revenues:				
Taxes	\$ 290,337	\$ 424,450	\$ 121,295	\$ 836,082
Licenses and permits	113,453	-	-	113,453
Intergovernmental	350,127	69,077	1,623	420,827
Charges for services	22,098	-	-	22,098
Fines and forfeits	60,492	-	-	60,492
Interest	27,703	6,733	3,017	37,453
Other	2,594,310	23,268	14	2,617,592
Total Revenues	<u>3,458,520</u>	<u>523,528</u>	<u>125,949</u>	<u>4,107,997</u>
Expenditures:				
Current -				
General Government	544,503	-	-	544,503
Public Safety	953,112	289,990	3,351	1,246,453
Public Works	136,315	-	112,917	249,232
Health and Welfare	40,406	-	-	40,406
Recreation and Cultural	6,024	-	-	6,024
Capital Outlay	624,214	408,810	-	1,033,024
Total Expenditures	<u>2,304,574</u>	<u>698,800</u>	<u>116,268</u>	<u>3,119,642</u>
Excess of revenues over (under) expenditures	1,153,946	(175,272)	9,681	988,355
Other Financing (Uses):				
Transfers out	(50,000)	-	-	(50,000)
Net change in Fund Balances	<u>1,103,946</u>	<u>(175,272)</u>	<u>9,681</u>	<u>938,355</u>
Fund Balances at beginning of year	3,232,485	525,212	343,663	4,101,360
Prior period adjustments	60,890	-	-	60,890
Fund Balances at beginning of year, as restated	<u>3,293,375</u>	<u>525,212</u>	<u>343,663</u>	<u>4,162,250</u>
Fund Balances at end of year	<u>\$ 4,397,321</u>	<u>\$ 349,940</u>	<u>\$ 353,344</u>	<u>\$ 5,100,605</u>

The accompanying notes are an integral part of these financial statements.

LENOX TOWNSHIP
Macomb County, Michigan

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2004**

Net change in fund balances - total governmental funds	\$ 938,355
Change in prepaid expenses recorded in the funds on the purchase method in fiscal 2003	(32,656)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	994,827
Depreciation expense	(158,302)
Change in net assets of governmental activities	<u>\$ 1,742,224</u>

The notes to the financial statements are an integral part of this statement.

LENOX TOWNSHIP
Macomb County, Michigan
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2004

	<u>Water Supply & Sewage Disposal System</u>
ASSETS:	
Current Assets:	
Cash and cash equivalents	\$ 183,556
Accounts receivable -	
Water and sewer billing	61,624
Tap Fees	64,020
Other	50
Prepaid expenses	1,413
Total Current Assets	<u>310,663</u>
Restricted Assets:	
Cash and cash equivalents	900
Investments	683,458
Total Restricted Assets	<u>684,358</u>
Capital Assets:	
Property, plant and equipment	
net of accumulated depreciation	<u>5,160,029</u>
Other Assets	
Deferred bond issuance costs (net of amortization)	<u>27,590</u>
Total Assets	<u>6,182,640</u>
LIABILITIES:	
Current Liabilities:	
Accounts payable	66,853
Accrued liabilities	4,815
Due to other funds	42,288
Total Current Liabilities	<u>113,956</u>
Current Liabilities - Payable From Restricted Assets:	
Bonds payable (current portion)	215,000
Accrued interest	11,340
Total Liabilities Payable From Restricted Assets	<u>226,340</u>
Long-Term Liabilities (less current portions):	
Advance from general fund	628,405
Bonds payable - less current portion	1,140,000
Total Long-Term Liabilities	<u>1,768,405</u>
Total Liabilities	<u>2,108,701</u>
NET ASSETS:	
Invested in capital assets, net	3,176,624
Restricted	684,358
Unrestricted	212,957
Total Net Assets	<u>\$ 4,073,939</u>

The accompanying notes are an integral part of these financial statements.

LENOX TOWNSHIP
Macomb County, Michigan

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Water Supply & Sewage Disposal System
Operating Revenues:	
User charges	\$ 671,322
Miscellaneous	5,989
Total Operating Revenues	<u>677,311</u>
Operating Expenses:	
Salaries and wages	55,377
Fringe benefits	19,040
Engineering	3,762
Water and sewer charges	416,704
Supplies	7,177
Repairs and maintenance	8,694
Training	140
Contractual services	2,482
Utilities	3,340
Depreciation	129,245
Other	2,029
Total Operating Expenses	<u>647,990</u>
Operating Income (Loss)	<u>29,321</u>
Non-Operating Revenues:	
System development fees	43,162
Interest income	6,445
Amortization of bond issuance costs	(5,704)
Interest expense	(75,238)
Total Non-Operating Revenues (Expenses)	<u>(31,335)</u>
Net Income (Loss) Before Transfers	(2,014)
Transfers in	<u>50,000</u>
Change in Net Assets	47,986
Net Assets at beginning of year	<u>4,025,953</u>
Net Assets end of year	<u><u>\$ 4,073,939</u></u>

The accompanying notes are an integral part of these financial statements.

LENOX TOWNSHIP
Macomb County, Michigan

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Water Supply & Sewage Disposal System
Cash Flows From Operating Activities:	
Cash receipts from customers	\$ 668,760
Cash payments to suppliers	(422,762)
Cash payments to employees	(73,579)
Net Cash Provided by Operating Activities	<u>172,419</u>
Cash Flows From Noncapital Financing Activities:	
Advances/due to other funds	120,472
Transfer in	50,000
Net Cash Provided by Noncapital Financing Activities	<u>170,472</u>
Cash Flows From Capital and Related Financing Activities:	
Proceeds from system development fees	33,347
Acquisition and construction of capital assets	(190,826)
Payment of interest and agent fees	(76,874)
Payment of long-term debt	(200,000)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(434,353)</u>
Cash Flows From Investing Activities:	
Interest earned	6,395
Purchase of investments	(6,772)
Net Cash Provided by Investing Activities	<u>(377)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(91,839)
Cash and Cash Equivalents at Beginning of Year	<u>276,295</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 184,456</u></u>
Reconciliation of Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss) for the year	\$ 29,321
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities -	
Depreciation	129,245
Change in assets and liabilities -	
(Increase) decrease in -	
Receivable	(8,551)
Prepays	(1,413)
Increase (decrease) in -	
Accounts payable	22,979
Accrued liabilities	838
Net Cash Provided (Used) By Operating Activities	<u><u>\$ 172,419</u></u>

The accompanying notes are an integral part of these financial statements.

LENOX TOWNSHIP
Macomb County, Michigan

STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2004

	<u>Agency Fund</u>
ASSETS:	
Cash and cash equivalents	<u>\$ 157,368</u>
 LIABILITIES:	
Due to individuals	<u>\$ 157,368</u>

The accompanying notes are an integral part of these financial statements.

LENOX TOWNSHIP, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

The accounting methods and procedures adopted by Lenox Township, Michigan, conform to generally accepted accounting principles as applied to governmental entities. The following Notes to the Financial Statements are an integral part of the Township's Financial Statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Reporting Entity –

The Township of Lenox, a municipal corporation, was organized as a Township in 1837, and operates under the provisions of the constitution and general law of the State of Michigan. The Township is one of twelve (12) Townships in Macomb County and covers an area of approximately 26 square miles. The Township operates under an elected Township Board which consists of a Supervisor, Clerk, Treasurer and two Trustees, and provides services to its more than 5,000 residents in many areas including police, fire protection and roads.

These financial statements presented the Township and the component units, entities for which the township is considered to be financially accountable. Discretely presented component units are reported on a separate column in the government-wide financial statements to emphasize that they are legally separate from the Township.

Discretely Presented Component Unit - The component unit column in the combined statement includes the financial data of the Lenox Township Library. The Library operates under the authority of PA 164 of the Michigan Public Acts of 1877. The entity has an independent Board that are elected by the residents of Lenox Township and the Village of New Haven. A majority of the Library revenues is from property taxes collected from the residents of Lenox Township.

The financial statements of the Lenox Township Library are audited separately and may be obtained from the Lenox Township Library at the following address:

Lenox Township Library
58976 Main Street
New Haven, MI 48048

B. Government-wide and fund financial statements –

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary governments is financially accountable.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year they are due. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

State shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current fiscal period. Property taxes which are levied on July 1, and due on August 31, are recognized as revenue in the year due. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major governmental funds:

General Fund – is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Fire Fund – is a special revenue fund used to account for taxes and other related revenues restricted for fire service of the Township.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-- (cont'd):

The Township reports the following major proprietary funds:

Water & Sewage Disposal System -- is used to account for the treatment and distribution of water and sanitary sewer services to residential and commercial users.

Additionally, the Township reports the following fund types --

Special Revenue Funds -- are used to account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulation provisions or administrative actions.

Debt Service Fund -- is used to account for accumulation of resources for and the payment of, general long-term debt principal, interest and related costs.

Agency Fund -- is used to account for assets held by the Township as an agent for other governments and other funds.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for this business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenue and expenses for nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds principle on-going operations. The principle operating revenues of the Enterprise Fund are charges to customers for sale and services. Operating expenses from the Enterprise Fund include costs of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, the unrestricted resources as they are needed.

LENOX TOWNSHIP, MICHIGAN

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

D. Assets, Liabilities and Net Assets or Equity --

Deposits and Investments --

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit with original maturities of three months or less from the date of acquisition. The investment trusts have the general characteristics of demand deposit accounts in that the Township may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty, and are reported as cash and cash equivalents.

Investments consist of certificates of deposit with a maturity of more than ninety days from the date of requisition, which is recorded at "fair value". For the purpose of the Statement of Cash Flows presented for the Proprietary Fund Type, the Township considers all highly liquid investments (including restricted assets) with original maturities of ninety days or less to be cash equivalents.

Receivables and Payables --

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectible.

Prepaid Items --

Certain payments to vendors reflect costs applicable to further accounting periods and are recorded as prepaid items in the statement of net assets.

Property Tax Calendar --

The Township's property tax is levied in December on the assessed valuation of property located in the Township as of the preceding December 31 and is treated as revenue in the current fiscal year. The Township also collects taxes for the County, Intermediate School District, Community College and Local School District. Collections of all taxes other than Township taxes and the remittance of them are accounted for in the Tax Collection Fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Capital Assets --

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

As permitted by GASB Statement No. 34, the Township has elected not to report governmental infrastructure assets (principally roads and sidewalks) acquired prior to July 1, 2003.

Property, plant, and equipment of the primary government, as well as the component unit, is depreciated using the straight line method over the following estimated useful lives:

	Primary Government	Component Unit
Buildings and improvements	10-50	15-40
Utility systems	5-50	-
Machinery and equipment	5-10	7
Vehicles	8-15	-
Library books and materials	-	7

Compensated Absences --

The Township does not allow employees to accumulate vacation and sick time from year to year.

Long-Term Obligations --

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets. Bond premiums and discounts, as well as issuance costs, if significant, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financial uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity -

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Estimates -

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

The Township Supervisor prepares and submits the proposed operating budgets for the fiscal year commencing July 1. The budgets include proposed expenditures and resources to finance them.

Prior to June 30, the proposed budget is presented to the Township Board. The Board holds a public hearing and may add to, subtract from, or change appropriations. The budget is then legally enacted through the passage of a Township Resolution. After the budget is adopted, all amendments must be approved by the Township Board.

The Township's approved budgets were adopted at the activity level for the General Fund and the function level for Special Revenue Funds. However, for control purposes all the budgets are maintained at the object (account) level.

During the year the Township incurred expenditures in the General and Special Revenue Fund which was in excess of the amount appropriated as follows:

Excess of Expenditures Over Appropriations -

<u>Fund Type/Function/Activity</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund -			
General Government -			
Superior	\$ 45,400	\$ 48,054	\$ 2,654
Clerk	\$9,750	60,388	638
Assessor	65,000	66,987	1,987
Board of Review	2,050	3,104	1,054
Cemetery	-	2,708	2,707
General services	223,050	241,969	8,469

NOTE 2 -- STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY -- (cont'd):

<u>Fund Type/Function/Activity</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Public Safety --			
Law enforcement	\$ 225,000	\$ 226,869	\$ 1,869
Planning commission	58,500	71,205	12,705
Public Works --			
Solid Waste removal	90,000	133,632	43,632
Street lights	1,800	2,683	883
Capital Outlay	598,000	624,214	26,214
Transfers out	-	50,000	50,000
Fire Fund --			
Capital outlay	338,000	408,810	70,810
Road Fund --			
Public Works	100,000	112,917	12,917
Monitor Fee Fund --			
Public Safety	-	1,413	1,413

NOTE 3 - DEPOSITS AND INVESTMENTS:

As of June 30, 2004, the carrying amount of the deposits and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Unit</u>	<u>Total</u>
Deposits -				
Cash on hand -				
Petty Cash	\$ 650	\$ -	\$ -	\$ 650
Deposits with Financial Institutions	<u>1,339,960</u>	<u>157,368</u>	<u>393,876</u>	<u>1,891,204</u>
Total Deposits	<u>1,340,610</u>	<u>157,368</u>	<u>393,876</u>	<u>1,891,854</u>
Investments -				
Investment Trust Funds	<u>3,268,569</u>	<u>-</u>	<u>-</u>	<u>3,268,569</u>
	<u>\$4,609,179</u>	<u>\$ 157,368</u>	<u>\$ 393,876</u>	<u>\$ 5,160,423</u>
Reconciliation To Combined Balance Sheet				
Reported as Cash and Cash Equivalents -				
Petty Cash	\$ 650	\$ -	\$ -	\$ 650
Deposits	<u>1,339,960</u>	<u>157,368</u>	<u>393,876</u>	<u>1,891,204</u>
Investment Trust Funds	<u>3,268,569</u>	<u>-</u>	<u>-</u>	<u>3,268,569</u>
	<u>\$4,609,179</u>	<u>\$ 157,368</u>	<u>\$ 393,876</u>	<u>\$ 5,160,423</u>
Deposits --				

The Township's investment policy and Act 217 PA 1982, as amended, authorizes the Township to deposit in certificates of deposit, savings accounts, depository accounts or depository receipts of a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act 105 of the Public Acts of 1855, as amended, being section 21.145 and 21.146 of the Michigan Compiled Laws.

NOTE 3 – DEPOSITS AND INVESTMENTS – (cont'd):

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured institution for savings and demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000.

As of June 30, 2004 the bank balance of the Township's deposits were \$1,618,186 of which \$700,000 was FDIC insured with the balance \$918,186 uninsured and uncollateralized. In addition the component unit had a bank balance of \$400,158 of which \$200,000 was covered for FDIC insurance, with the remaining balance uninsured and uncollateralized.

The Township also had \$684,358 on deposit with Macomb County for the construction of a wastewater and sewage disposal system. Since the funds are invested by the County, the extent, if any, of FDIC insurance could not be determined. These deposits have been shown as restricted cash and investments for financial statement presentation.

Investments -

Act 20 PA 1994 as amended by Act 1997 PA 1999 authorizes the Township to invest surplus funds in bonds, securities and other direct obligations or repurchase agreements consisting of these financial instruments of the United States government or an agency or instrumentality of the United States; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications by not less than two standard rating services, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of the political subdivisions that at the time of purchase are rated as investment grades by not less than one standard rating service, mutual funds registered under the investment company Act of 1940, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation, investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, investment pools organized under the surplus funds investment pool act, 1982 PA 3657, 129.111 to 129.118; investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

Investments may be classified into three categories to give an indication of the level of risk assumed by the Township. Category 1 includes investments that are insured or registered or for which the securities are held by the Township or its agent in the Township's name. Category 2 includes uninsured and unregistered investments for which the securities are held by a counterparty's trust department or agent in the Township's name. Category 3 includes uninsured and unregistered investments for which the securities are held by a counterparty's trust department or agent but not in the Township's name.

As of June 30, 2004, the Township has \$3,268,891 invested in Investment Trust Funds which are managed by a bank's trust department as investments of the primary government. The trust invests primarily in short-term maturity U.S. Government backed or guaranteed securities which are held by the trust in its name. These funds have not been considered to be susceptible to investment risk categories. The investment trusts have been reported in the financial statements as a cash equivalent because they have the general characteristics of demand deposit accounts in that the Township may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty.

NOTE 4 – CAPITAL ASSETS:

Primary Government

Capital asset activity of the primary government for the year ended June 30, 2004 was as follows:

	July 1, 2003 Balance	Additions	Deletions	June 30, 2004 Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 657,256	\$ 583,917	\$ -	\$ 1,241,173
Capital assets, being depreciated:				
Land improvements	1,457,479	-	-	1,457,479
Buildings	1,431,425	71,695	-	1,553,120
Equipment	416,423	2,100	-	418,523
Vehicles	509,862	337,120	-	846,982
Total capital assets being depreciated	3,865,189	410,915	-	4,276,104
Less accumulated depreciation	(1,366,642)	(158,302)	-	(1,524,944)
Total capital assets being depreciated, net	2,498,547	252,613	-	2,751,160
Governmental activities capital assets, net	\$3,155,803	\$ 836,530	\$ -	\$ 3,992,333
Business Type Activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ 171,389	\$ 186,423	\$ -	\$ 357,812
Capital assets, being depreciated:				
Buildings	190,130	-	-	190,139
Water mains and extensions	5,755,953	-	-	5,755,953
Equipment	63,489	4,399	-	67,888
Total capital assets being depreciated	6,009,581	4,399	-	6,013,980
Less accumulated depreciation	(1,082,418)	(129,245)	-	(1,211,663)
Total capital assets being depreciated, net	4,927,163	(124,846)	-	4,802,317
Business activities capital assets, net	\$5,087,452	\$ 61,577	\$ -	\$ 5,160,029

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 73,804
Public Safety	74,075
Public Works	10,423
Total depreciation expense-governmental activities	\$ 158,302
Business-type activities:	
Water and Sewer	\$ 129,245

NOTE 4 – CAPITAL ASSETS – (cont'd):

Component Unit -

Following is a summary of changes in general fixed assets of the Library, a Discretely Presented Component Unit, for the year ended June 30, 2004:

	Balance July 1, 2003	Additions	Disposals	Balance June 30, 2004
Buildings and improvements	\$ 137,152	\$ -	\$ -	\$ 137,152
Furniture and equipment	17,610	-	-	17,610
Library books and materials	<u>129,426</u>	<u>18,858</u>	-	<u>148,284</u>
	284,188	18,858	-	303,046
Accumulated depreciation	<u>(94,003)</u>	<u>(24,527)</u>	-	<u>(118,530)</u>
	<u>\$ 190,185</u>	<u>\$ 5,662</u>	<u>\$ -</u>	<u>\$ 184,516</u>

NOTE 5 - LONG-TERM DEBT:

Primary Government -

The following is a summary of changes in the long-term debt (including current portion) of the Township for the year ended June 30, 2004:

	Balance July 1, 2003	Additions	Reductions	Balance June 30, 2004	Due Within One Year
<u>Enterprise Fund:</u>					
<u>Bonds Payable -</u>					
Water Supply System 13	\$ 695,000	-	\$ 125,000	\$ 570,000	\$ 135,000
Water Supply System 14	<u>860,000</u>	-	<u>75,000</u>	<u>785,000</u>	<u>80,000</u>
	<u>\$ 1,555,000</u>	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ 1,355,000</u>	<u>\$ 215,000</u>

Significant details regarding outstanding long-term debt are presented below:

Enterprise Fund:

Contracts/Bonds Payable -

\$1,590,000 Macomb County Water Supply System 13 (Lenox Township Section 2) Bonds, dated March 1, 1994, due in annual installments ranging from \$135,000 to \$150,000 through May 1, 2008, with interest ranging from 5.00 to 5.10 percent payable semi-annually

\$ 570,000

\$1,050,000 Macomb County Water Supply 14 (Lenox Township Section 3) Bonds, dated March 1, 1997, due in annual installments beginning November 1, 2001, ranging from \$80,000 to \$120,000 through November 1, 2011. Interest is payable semi-annually with rates ranging from 4.75 to 5.30 percent

785,000

\$1,355,000

NOTE 5 - LONG-TERM DEBT -- (cont'd):

The annual requirements to amortize bonds outstanding at June 30, 2003 is as follows:

	<u>System 13</u>		<u>System 14</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 135,000	\$ 28,795	\$ 80,000	\$ 37,348
2006	140,000	22,045	85,000	33,429
2007	145,000	15,045	90,000	29,250
2008	150,000	7,650	95,000	24,763
2009	-	-	100,000	19,935
2009-2012	-	-	335,000	27,158
	<u>\$ 570,000</u>	<u>\$ 73,535</u>	<u>\$ 785,000</u>	<u>\$ 171,883</u>

NOTE 6 - INTERFUND RECEIVABLE AND PAYABLE BALANCES:

The composition of interfund balances as of June 30, 2004:

Due to/From Other Funds --

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water & Sewer Disposal	\$ 42,288
Fire Fund	General Fund	15,757
Liquor Law Enforcement Fund	General Fund	8,317
Chapter 20 Drain Debt Service Fund	General Fund	444
		<u>\$ 66,806</u>

Advance To/From Other Funds -

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Fire Fund	\$ 175,950
	Water & Sewage Disposal Fund	628,405
		<u>\$ 804,355</u>

The long-term advances were made to finance the purchase of equipment and construct utilities system.

Transfers From/To Other Funds --

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Water and Sewer Disposal Fund	General Fund	<u>\$ 50,000</u>

NOTE 7 - COMMUNITY DEVELOPMENT BLOCK GRANT:

During the year, the Township was appropriated \$52,000 Community Development Block Grant (CDBG) funding through Macomb County and expended \$37,670 of current and previously appropriated CDBG funding. At June 30, 2004, the Township has \$55,075 available for future CDBG projects.

Macomb County pays CDBG project providers directly. The County maintains administrative control over the funding, monitors the programs and reports the programs in the County's Single Audit report.

NOTE 8 - PRINCIPAL TAXPAYERS AND UTILITY CUSTOMERS:

There are four (4) users that provide a significant portion of the utility (water and sewer) revenue. The revenues provided, and the approximate percentage of the utility system revenues for the year ended June 30, 2003 are summarized below:

	<u>Utility Charges</u>	
Macomb County		
Correctional Facility	\$ 322,064	48 %
Quail Run	99,263	15
Americana Estate	126,497	19
Millstone Pond	<u>61,304</u>	<u>9</u>
	<u>\$ 609,128</u>	<u>91 %</u>

NOTE 9 - SUMMARY OF INSPECTION DEPARTMENT:

The following schedule presents the Township's inspector department revenues and expenditures in accordance with Public Act 245 of 1999:

<u>Revenues:</u>	
Building Permits	\$ 44,712
Electrical Permits	20,458
Heating Permits	12,376
Plumbing Permits	<u>9,097</u>
	<u>86,643</u>
<u>Expenditures:</u>	
Salaries and Wages	123,525
Operating Supplies	2,774
Transportation	2,583
Communications	1,660
Education and Training	2,569
Miscellaneous	<u>950</u>
	<u>134,047</u>
Excess of revenues over (under) expenditures	<u>\$(47,404)</u>

Note: The above expenditures do not include all overhead expenditures.

NOTE 10 – RESERVED/DESIGNATED FUND BALANCE:**Reserved Fund Balance –**

Fund Balance has been reserved in various governmental funds to indicate the portion of Fund Balance not available, but reserved for a specific purpose. The following is a summary of Reserved Fund Balance at June 30, 2004:

General Fund –	
Advance from other funds	\$ 804,355
Prepaid expenditure	<u>17,683</u>
	822,038
Fire Fund –	
Prepaid expenditure	17,376
Chapter 20 Drain –	
Debt Retirement	<u>43,196</u>
	<u>\$ 882,610</u>

Designated Fund Balance –

The Township Board has the power the designate or set aside all or a portion of unreserved fund balance for specific purposes. The following is a summary of the Board's designations at June 30, 2004:

Township trash pickup	\$ 180,000
New Township Hall	500,000
Gratiot Sewer Project	500,000
Fire truck	100,000
Future advance to Sewer Fund	150,000
EMS – New building supplies	20,000
Recreation Fund	80,000
Long-term investment	500,000
Senior Citizen	20,000
Contingencies	<u>500,000</u>
	<u>\$2,550,000</u>

NOTE 11 – PRIOR PERIOD ADJUSTMENT:**Primary Government –
Governmental Funds:**

A prior period adjustment of \$60,890 was made to the General Fund to recognize non-exchange state shared revenues collected within 90 days.

	Fund Balance as Reported <u>June 30, 2003</u>	<u>Adjustments</u>	Fund Balance As Restated <u>At June 30, 2003</u>
General Fund	\$ 3,232,485	\$ 60,890	\$ 3,293,375

NOTE 12 – RESTATEMENTS:

As of and for the year ended June 30, 2004, the Township implemented the following Governmental Accounting Standards Board pronouncements:

Statements

- No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*
- No. 36 – *Recipient Reporting for Certain Shared Nonexchange Revenues – An Amendment of GASB No. 33*
- No. 37 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*
- No. 38 – *Certain Financial Statement Note Disclosures*

Interpretation

- No. 6 *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

The more significant of the changes required by the new standards include:

- Management's discussion and analysis;
- Basic financial statements that include:
 - Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;
 - Fund financial statements, consisting of a series of statements that focus on a government's major governmental funds and enterprise funds;
 - Schedules to reconcile the fund financial statements to the government-wide financial statements;
 - Notes to the basic financial statements;
- Required supplementary information, including certain budgetary schedules.

As a result of implementing these pronouncements for the fiscal year ended June 30, 2004, the following restatements were made to net assets at June 30, 2003:

Government-wide financial statements. Beginning net assets for governmental activities were determined as follows:

Fund balances of general and special revenue funds as of 6/30/03	\$ 4,101,360
Prior period adjustment (Note 11)	<u>60,890</u>
	4,162,250
Add: capital assets	4,522,450
Less: accumulated depreciation on capital assets	(1,366,642)
Add: Prepaid expenditures	<u>32,656</u>
	<u>\$ 7,350,714</u>

REQUIRED SUPPLEMENTARY INFORMATION

LENOX TOWNSHIP
Macomb County, Michigan

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 235,000	\$ 238,000	\$ 290,337	\$ 52,337
Licenses and permits	117,000	132,500	113,453	(19,047)
Intergovernmental -				
Federal	-	40,000	37,670	(2,330)
State	340,000	340,000	312,457	(27,543)
Charges for services	20,000	17,500	22,098	4,598
Fines and forfeits	40,000	40,000	60,492	20,492
Interest and rent	18,000	18,000	27,703	9,703
Other	1,560,000	1,504,000	2,594,310	1,090,310
Total Revenues	2,330,000	2,330,000	3,458,520	1,128,520
Expenditures:				
General Government -				
Legislative	8,700	9,100	7,938	1,162
Supervisor	45,000	45,400	48,054	(2,654)
Clerk	59,250	59,750	60,388	(638)
Treasurer	56,250	56,750	56,242	508
Assessor	64,250	65,000	66,987	(1,987)
Board of Review	1,000	2,050	3,104	(1,054)
Election	13,500	13,500	311	13,189
Township Hall	80,000	70,000	56,802	13,198
Cemetery	-	-	2,708	(2,708)
General Services	336,000	233,500	241,969	(8,469)
	<u>663,950</u>	<u>555,050</u>	<u>544,503</u>	<u>10,547</u>
Public Safety -				
Law Enforcement	225,000	225,000	226,869	(1,869)
Emergency Medical Service	56,000	728,000	519,246	208,754
Planning Commission	33,500	58,500	71,205	(12,705)
Building and Inspection	102,200	148,800	134,047	14,753
Zoning Board of Appeals	5,000	5,000	1,745	3,255
	<u>421,700</u>	<u>1,165,300</u>	<u>953,112</u>	<u>212,188</u>
Public Works -				
Solid Waste Removal	-	90,000	133,632	(43,632)
Street Lighting	1,800	1,800	2,683	(883)
	<u>1,800</u>	<u>91,800</u>	<u>136,315</u>	<u>(44,515)</u>
Health and Welfare -				
Community Action Program	40,000	47,000	40,406	6,594
Recreation and Cultural -				
Township Park	-	6,500	6,024	476
Capital Outlay -				
Township Hall	570,000	598,000	624,214	(26,214)
Total Expenditures	1,697,450	2,463,650	2,304,574	159,076

LENOX TOWNSHIP
Macomb County, Michigan

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004
(Continued)**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Excess of revenues over expenditures	632,550	(133,650)	1,153,946	1,287,596
Other Financing Uses:				
Transfers out	-	-	(50,000)	(50,000)
Net change in Fund Balance	632,550	(133,650)	1,103,946	1,237,596
Fund Balance at beginning of year	3,232,485	3,232,485	3,232,485	-
Prior period adjustment	60,890	60,890	60,890	-
Fund Balance at beginning of year, as restated	3,293,375	3,293,375	3,293,375	-
Fund Balance at end of year	<u>\$ 3,925,925</u>	<u>\$ 3,159,725</u>	<u>\$ 4,397,321</u>	<u>\$ 1,237,596</u>

LENOX TOWNSHIP
Macomb County, Michigan

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - FIRE SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 365,000	\$ 365,000	\$ 424,450	\$ 59,450
Intergovernmental -				
State	-	-	69,077	69,077
Interest	5,000	5,000	6,733	1,733
Other revenue	5,000	5,000	23,268	18,268
Total Revenues	<u>375,000</u>	<u>375,000</u>	<u>523,528</u>	<u>148,528</u>
Expenditures:				
Public Safety	324,700	373,750	389,990	83,760
Capital Outlay	10,800	338,000	408,810	(70,810)
Total Expenditures	<u>335,500</u>	<u>711,750</u>	<u>698,800</u>	<u>12,950</u>
Excess of revenues over (under) expenditures	39,500	(336,750)	(175,272)	161,478
Fund Balance at beginning of year	<u>525,212</u>	<u>525,212</u>	<u>525,212</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 564,712</u>	<u>\$ 188,462</u>	<u>\$ 349,940</u>	<u>\$ 161,478</u>

OTHER SUPPLEMENTARY INFORMATION

LENOX TOWNSHIP
Macomb County, Michigan

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2004

	Special Revenue Funds			
	Road	Liquor Law Enforcement	Monitoring Fee	Environmental Protection
ASSETS				
Cash and cash equivalents	\$ 399,329	\$ -	\$ 8,436	\$ 5,670
Accounts receivable	-	-	-	-
Due from other funds	-	8,317	-	-
Total Assets	<u>\$ 399,329</u>	<u>\$ 8,317</u>	<u>\$ 8,436</u>	<u>\$ 5,670</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ 110,030	\$ -	\$ 1,413	\$ -
Accrued liabilities	-	161	-	-
Total Liabilities	<u>110,030</u>	<u>161</u>	<u>1,413</u>	<u>-</u>
Fund Balances:				
Reserved for Debt Retirement	-	-	-	-
Unreserved	289,299	8,156	7,023	5,670
Total Fund Balance	<u>289,299</u>	<u>8,156</u>	<u>7,023</u>	<u>5,670</u>
Total Liabilities and Fund Balance	<u>\$ 399,329</u>	<u>\$ 8,317</u>	<u>\$ 8,436</u>	<u>\$ 5,670</u>

Debt Service Fund Chapter 20 Drain		Total
\$	42,643	\$ 456,078
	109	109
	444	8,761
<u>\$ 43,196</u>		<u>\$ 464,948</u>

\$	-	\$ 111,443
	-	161
	-	111,604

	43,196	43,196
	-	310,148
	43,196	353,344
<u>\$ 43,196</u>		<u>\$ 464,948</u>

LENOX TOWNSHIP
Macomb County, Michigan

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2004

	Special Revenue Funds			
	Road	Liquor Law Enforcement	Monitoring Fee	Environmental Protection
Revenues:				
Taxes	\$ 121,295	\$ -	\$ -	\$ -
Intergovernmental -				
Federal/State	-	1,623	-	-
Interest	2,590	-	-	2
Other	-	14	-	-
Total Revenues	<u>123,885</u>	<u>1,637</u>	<u>-</u>	<u>2</u>
Expenditures:				
Public Safety	-	1,938	1,413	-
Public Works	112,917	-	-	-
Total Expenditures	<u>112,917</u>	<u>1,938</u>	<u>1,413</u>	<u>-</u>
Excess of revenues over (under) expenditures	10,968	(301)	(1,413)	2
Fund Balances at beginning of year	<u>278,331</u>	<u>8,457</u>	<u>8,436</u>	<u>5,668</u>
Fund Balances at end of year	<u>\$ 289,299</u>	<u>\$ 8,156</u>	<u>\$ 7,023</u>	<u>\$ 5,670</u>

<u>Debt</u>			
<u>Service Fund</u>			
<u>Chapter</u>			
<u>20 Drain</u>		<u>Total</u>	
\$	-	\$	121,295
	-		1,623
	425		3,017
	-		14
	<u>425</u>		<u>125,949</u>
	-		3,351
	-		<u>112,917</u>
	-		<u>116,268</u>
	425		9,681
	<u>42,771</u>		<u>343,663</u>
<u>\$</u>	<u>43,196</u>	<u>\$</u>	<u>353,344</u>

LENON TOWNSHIP
Macomb County, Michigan

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

ROAD FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Taxes	\$ 100,000	\$ 106,500	\$ 121,295	\$ 14,795
Interest	10,000	3,500	2,590	(910)
Total Revenues	<u>110,000</u>	<u>110,000</u>	<u>123,885</u>	<u>13,885</u>
Expenditures:				
Public Works	<u>100,000</u>	<u>100,000</u>	<u>112,917</u>	<u>(12,917)</u>
Excess of revenues under expenditures	10,000	10,000	10,968	968
Fund Balance at beginning of year	<u>278,331</u>	<u>278,331</u>	<u>278,331</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 288,331</u>	<u>\$ 288,331</u>	<u>\$ 289,299</u>	<u>\$ 968</u>

LIQUOR LAW ENFORCEMENT FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Intergovernmental - State	\$ 1,600	\$ 1,600	\$ 1,623	\$ 23
Other	100	100	14	(86)
Total Revenues	<u>1,700</u>	<u>1,700</u>	<u>1,637</u>	<u>(63)</u>
Expenditures:				
Public Safety	<u>1,800</u>	<u>1,950</u>	<u>1,938</u>	<u>12</u>
Excess of revenues under expenditures	(100)	(250)	(301)	(51)
Fund Balance at beginning of year	<u>8,457</u>	<u>8,457</u>	<u>8,457</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 8,357</u>	<u>\$ 8,207</u>	<u>\$ 8,156</u>	<u>\$ (51)</u>

**LENOX TOWNSHIP
Macomb County, Michigan**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004**

MONITORING FEE FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Expenditures:				
Public Safety	\$ -	\$ -	\$ 1,413	\$(1,413)
Fund Balance at beginning of year	<u>8,436</u>	<u>8,436</u>	<u>8,436</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 8,436</u></u>	<u><u>\$ 8,436</u></u>	<u><u>\$ 7,023</u></u>	<u><u>\$(1,413)</u></u>

ENVIRONMENTAL PROTECTION FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Interest	\$ 600	\$ 600	\$ 2	\$(598)
Expenditures:				
Public Safety	<u>10,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Excess of revenues under expenditures	(9,400)	(4,400)	2	4,402
Fund Balance at beginning of year	<u>5,668</u>	<u>5,668</u>	<u>5,668</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$(3,732)</u></u>	<u><u>\$ 1,268</u></u>	<u><u>\$ 5,670</u></u>	<u><u>\$ 4,402</u></u>

FIDUCIARY FUNDS

LENOX TOWNSHIP
COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Balance July 1, 2003	Additions	Reductions	Balance June 30, 2004
TOTAL ALL AGENCY FUNDS				
Assets:				
Cash and cash equivalents	\$ 124,183	\$ 6,443,834	\$ 6,410,649	\$ 157,368
Receivables	<u>3,119</u>	<u>917,187</u>	<u>920,306</u>	<u>-</u>
Total Assets	<u>\$ 127,302</u>	<u>\$ 7,361,021</u>	<u>\$ 7,330,955</u>	<u>\$ 157,368</u>
Liabilities:				
Due to other funds	\$ 4,044	\$ 8,030,974	\$ 8,035,018	\$ -
Due to individuals	<u>123,258</u>	<u>181,077</u>	<u>146,967</u>	<u>157,368</u>
Total Liabilities	<u>\$ 127,302</u>	<u>\$ 8,212,051</u>	<u>\$ 8,181,985</u>	<u>\$ 157,368</u>

AGENCY FUND

Assets:				
Cash and cash equivalents	<u>\$ 123,816</u>	<u>\$ 278,381</u>	<u>\$ 244,829</u>	<u>\$ 157,368</u>
Liabilities:				
Due to other funds	\$ 558	\$ 114,584	\$ 115,142	\$ -
Due to individuals	<u>123,258</u>	<u>181,077</u>	<u>146,967</u>	<u>157,368</u>
Total Liabilities	<u>\$ 123,816</u>	<u>\$ 295,661</u>	<u>\$ 262,109</u>	<u>\$ 157,368</u>

TAX FUND

Assets:				
Cash and cash equivalents	\$ 367	\$ 6,165,453	\$ 6,165,820	\$ -
Due from other governmental unit - local	<u>3,119</u>	<u>917,187</u>	<u>920,306</u>	<u>-</u>
Total assets	<u>\$ 3,486</u>	<u>\$ 7,082,640</u>	<u>\$ 7,086,126</u>	<u>\$ -</u>
Liabilities:				
Due to other funds	<u>\$ 3,486</u>	<u>\$ 7,916,390</u>	<u>\$ 7,919,876</u>	<u>\$ -</u>

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Supervisor and Members of
the Township's Board
Lenox Township
Macomb County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Lenox Township, Michigan as of and for the year ended June 30, 2004, which collectively comprise Lenox Township, Michigan's basic financial statements and have issued our report thereon dated September 23, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit the discretely presented component unit's financial statements of the Lenox Township Library. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion on the basic financial statements insofar as it relates to the Lenox Township Library, is based solely on the reports of the other auditors.

Compliance

As part of obtaining reasonable assurance about whether Lenox Township, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Lenox Township, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the Township Board and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, reading "Stewart, Ream & Whipple".

Certified Public Accountants

September 23, 2004